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Secret Report Criticizes CIA for Unstable Agent

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WASHINGTON—A highly classified report sent this month to President Reagan harshly criticizes the CIA and the FBI for "mis-handling" the case of former CIA agent Edward Lee Howard, who gave the Soviet Union details of U.S. espionage in Moscow after being fired for drug use and mental instability, sources with knowledge of the document said.

Howard's revelations led the Soviets to execute one of the CIA's prime Moscow contacts and devastated the agency's remaining spy operations in the Soviet capital, according to the sources. He eluded FBI agents in New Mexico in 1984 and fled to the Soviet Union but recently was reported sighted in the Caribbean.

The report, by the 11-member President's Foreign Intelligence Advisory Board, has been delivered to FBI and CIA officials. It is

said to single out for criticism the top CIA spymaster's office, the post of deputy director of operations, for overlooking repeated blunders in Howard's hiring, screening and his eventual dismissal.

The document states that Howard's growing troubles went undetected by the CIA until shortly before he was to be sent to Moscow, where he reportedly was to become a "case officer" for one of the CIA's most valuable informants. Although the CIA canceled the Moscow duty, the report states, both the agency and the FBI later failed to ensure that the disillusioned spy did not sell his secrets elsewhere.

Among other conclusions, the report charges that agency officials acted irresponsibly in firing Howard—well after he had been given vital secrets on U.S. espionage—when they uncovered evidence of drug abuse, petty thievery and mental instability on his part.

The report also accuses the CIA of repeatedly failing to relay concerns about Howard to the FBI, which conducts domestic counter-intelligence investigations of suspected security risks. And it scores the FBI, somewhat less harshly, for foot-dragging and poor police work in its later pursuit of Howard.

In addition, it recommends broad changes in CIA hiring, firing and employee-screening procedures, some of which already have been carried out.

CIA Director William J. Casey, speaking through an agency spokeswoman, refused to confirm or deny the existence of the report or to comment on the Howard matter. The FBI also declined comment.

However, one official who declined to be named termed the Howard affair "the most graphic foul-up in many years" in internal CIA operations and characterized Casey as "very disturbed about it."

"Here you've got Moscow—the most sensitive case officer job you had—and you were sending a guy to do it who's whacko," that official said. "And nobody was told about it."

The CIA executive who allowed Howard to be fired, current deputy operations director Clair George, is reported to have come under intense criticism in the intelligence community in the wake of the report, though the document does not link him by name to the affair. Howard was hired under George's predecessor, John Stein, now the CIA's inspector general.

The intelligence advisory panel, a White House oversight unit on spying practices, dissected the Howard case during a broad look at U.S. counterspy operations begun last winter after Soviet KGB officer Vitaly Yurchenko defected to the United States and then returned to Soviet custody.

It was Yurchenko who told the CIA of Howard's betrayal last summer. The United States was unaware that its former agent was anything other than a troubled man whose spying career had foundered, but the report was said to document "obvious" overlooked signals that Howard posed a potentially grave security threat.

For example, the report was said to conclude that the CIA over-

looked polygraph evidence, obtained when Howard applied for a CIA job in 1980, that he was an extensive user of several drugs. The agency sometimes forgives infrequent marijuana use by its job applicants—"they'd have trouble hiring anybody if they didn't," one official said—but evidence of extensive abuse is unacceptable.

Despite that, one source said, the polygraph data "just wasn't forwarded up the line," and the agency hired Howard in January, 1981. The Wall Street Journal reported that Howard was trained to oversee a Soviet engineer, A. G. Tol-kachev, who had fed the U.S. data on avionics, cruise missiles and other technologies.

A last polygraph check before Howard's assignment to Moscow "showed continued and accelerated drug use, petty crime and all the bad psychological traits that had been overlooked before," one source said. "The guy was coming apart."

The advisory panel reportedly concluded that the FBI's counter-intelligence division should have been told then of Howard's problems.

It also reportedly concluded, in strong terms, that the agency erred badly in firing Howard and should have assigned him to a low-level CIA job, where he could be watched carefully to ensure that he could not further compromise national security.

Instead, he was released from the CIA in June, 1983, and took a job with the New Mexico Legislature. In an apparent breach of procedure, the FBI was not told of his dismissal for more than a year, one source said.

During that year, according to FBI affidavits filed last year in Albuquerque, N.M., Howard spent hours in front of the Soviet Embassy in Washington, deliberating over whether to give his Moscow secrets to officials inside.

According to the report, a source said, Howard also began making "very strange, bizarre" long-distance telephone calls to the U.S. Embassy in Moscow, reportedly telling embassy officials that he would not be coming to the

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Soviet Union. The calls "set off alarm bells" in Moscow and the CIA was informed of them, the source said, but no action was taken.

In fall, 1984, according to the FBI affidavits, Howard flew to Austria and was debriefed by the KGB. His information led to the June, 1985, arrest of Tolkachev, who reportedly was later executed. A U.S. Embassy official also was ousted from Moscow.

Behind that visible damage, however, the cost to CIA operations was immense. "Howard disclosed virtually every active operation we had," one source said. "He wiped out Moscow station."

The advisory panel raps the CIA's operations division most

strongly for hiring Howard and then not informing the FBI of his problems. But it also rakes the FBI for what one source called a "dilatatory" reaction to Yurchenko's disclosure of Howard's betrayal.

According to that source, the FBI was accused of "taking too long to get court orders for wire-taps, which were needed," and for unspecified "delays within the bureau in recognizing that this was an important case."

Howard eventually was questioned by the FBI and placed under limited surveillance. But he eluded his shadows last Sept. 21 and fled the country.

Times staff writers Robert C. Toth and Ronald J. Ostrow contributed to this story.